www.unece.org/press/pr2007/07tim_p06e.html

Geneva

The UNECE Timber Committee has just conducted joint market discussions for the first time with the International Softwood Conference. They analyzed current markets developments for forest products in 2007 and forecast markets for 2008 in view of current policy issues. Major themes were: 1. softwood market developments, and 2. wood energy and wood mobilization. The full text of the Committee's approved market statement is attached as are the summary tables of forecasts. 1 Of related interest is the companion press release coming from the Timber Committee's Policy Forum on "Bioenergy policies and targets: opportunity for, or threat to, the European forests" .

Summary of Key Developments

Overarching market and policy developments

Increasing wood energy is reshaping the entire UNECE forest sector
Forest products markets are forecast to decline in North America, dramatically for sawn softwood, due to the crash in the United States housing market
Positive market developments in Europe and Russia.

Public procurement policies

Public agencies, trade associations and private companies are establishing procurement policies to ensure that forest products come from sustainable and legal sources
Purchasers also aim to minimise the environmental impact of whole systems, through "green building" requirements, which directly influence markets for forest products.

Corporate social responsibility

Trade associations are issuing specific codes of conduct for their members
Companies are developing ambitious corporate social responsibility policies to demonstrate the positive social impact of their operations
CSR policies are a means to shape consumer perceptions, gain competitive edge, and improve international recognition and perception
Mutual recognition of trade associations' CSR policies could facilitate trade.

Russia

The new Russian Forest Code unifies national forest policy and promotes structural reform
Russia imposed duties on log exports, scheduled to reach prohibitive levels by 2009 to encourage domestic processing and investment in the Russian wood processing industries.

Wood promotion

Several European countries are successfully raising public awareness through promotion campaigns by targeting parliamentarians
The 2010 Vancouver Olympics and the 2012 London Olympics represent major opportunities to showcase wood
A consistent approach is needed on wood specifications to aid choices for construction
Certification of sustainable forest management is an important communication tool.

Certified forest products

Certified forest area is approaching 300 million hectares worldwide, mostly in the UNECE region
Chain-of-custody – tracing forest products from forest to consumer – is important to achieve the full benefits of certification
In North America, most chain-of-custody certificates are held by the paper industry, which along with publishers, are key drivers of certification
Another driver is the US Green Building Council which developed the Leadership in Energy and Environmental Design (LEED) rating systems which specify certified wood products
Green building rating systems need a more inclusive approach and accept all internationally recognized sustainable forest management standards
Woodfuels certification is forecast to drive further certification in the US.

CE marking and stress grading

New techniques for non-destructive testing of sawnwood and engineered structural components enable wood to compete in new markets
Adoption of stress grading is essential to comply with the European Union directive on CE marking for construction timber from 1 September 2008.

Markets for modified softwoods

New processes are creating "new materials" that open up new marketing possibilities for both

softwood and hardwood
These new materials could allow wood to take market share from competing building materials.

Economic situation

Growth in the global economy is strong, over 5% in 2007, with a slowdown of growth in the US, a levelling off in Europe
Higher growth rates are expected (5-7%) in eastern Europe, Caucasus and central Asia
High oil prices and financial turmoil are slowing down growth
US dollar continues to fall against the euro, the Canadian dollar and other currencies
US housing market is experiencing serious problems: housing starts are below 1 million per year (annual rate), about half the rate in 2005.

Wood raw materials

Roundwood prices were at record highs in 2006
UNECE region roundwood production reached 1.3 billion m 3, only marginally below the exceptional level of 2005
European removals are forecast to increase by 5.4% in 2007
Russia ’s rising export taxes on roundwood will reduce exports, which are forecast to halve to 11.0 million in 2008
Countries dependent on Russian-sourced roundwood are looking for other sources, as well as investing in processing capacity in Russia.

Wood energy

Wood energy use, driven by policy measures and high oil prices, is reshaping wood markets
Expanding wood energy presents both a challenge and an opportunity for the forest and wood processing sectors
Public policy development tries to balance the needs of the established wood products sector and the bio-energy sector
Demand for processed fuels such as wood pellets is at record levels, resulting in shortages and higher prices
Expanding volumes of trees killed by the mountain pine beetle in British Columbia, Canada are used for pellets, 80% of which is exported to Europe.
Recent efforts to improve wood energy data quality reveal that many countries use much more wood than previously reported.

Sawn softwood

Sawn softwood markets are forecast to decline from record levels in 2006, due to the collapse in the US housing market
US consumption of sawn softwood is expected to fall by 11% in 2007, and a further 2% in 2008, down to 90.9 million m 3
Production in North America (US and Canada) is predicted to fall by 5.8% in 2007, and another 1.0% in 2008, down to 116.1 million m 3
US imports are forecast to fall even more, by 17.1%
With low US sawnwood prices, and a weak US dollar, many European exporters have withdrawn from the US market
Low sawnwood prices have also triggered the maximum export charges provided for under the renegotiated Softwood Lumber Agreement on Canadian shipments to the US
European sawmillers are forecast to increase production in 2007, by 4.3%, and another 0.4% in 2008, to a record 116.2 million m 3
Prices of sawlogs rose in 2007, along with sawnwood prices in Europe
European consumption of sawn softwood is forecast to grow too, peaking in 2007 at 108.1 million m 3.
Russian production is forecast to leap by 9% in 2007 and by a further 12% in 2008, to reach 24.1 million m 3
Russian exports could rise by 9-10% in 2007 and 2008, reaching 18.4 million m 3
New EU CE marking requirements could constrain suppliers to Europe, including some in Russia.

Sawn hardwood

Sawn hardwood markets are forecast to remain buoyant in the UNECE region
European markets are forecast to grow by about 2.4% in 2007 for both consumption and production, with little changes in trade
In North America, sawn hardwood production is forecast to fall in 2007, by 1.7%, to 28.5 million m 3, but then recover in 2008.
Europe, US and China are demanding European and American white oak and beech, and prices rose in 2007
Developments in tropical sawnwood include: slowing decline in forest cover, decrease in log exports in favour of value-added processing and continued illegal logging.

Wood-based panels

European panel markets are forecast to continue growth in 2007 and 2008
Rising raw material prices stem from competition for wood for energy
European MDF and OSB are expected to increase production and expand market share
European production of particleboard is forecast to reach a record 47.5 million m 3 in 2008
Projected capacity expansions mainly in eastern Europe are for domestic demand
North American panel markets are forecast to remain relatively stable at 2006 levels, with slight increases for 2008, despite a sharp decrease in construction activity
Russian production of particle board (+8%) and MDF (+52%) forecast in 2008
Russian plywood production forecast to continue increasing to satisfy EU export markets.

Paper, paperboard and woodpulp

Russian paper and paperboard consumption forecast to increase by 5.1% in 2007
Little change is expected in production or consumption in North America or Europe
Capacity expansion for paper has been correspondingly stronger in Asia and Latin America than in Europe or North America
Consumption of recovered paper exceeded consumption of virgin pulp in western Europe for the first time, despite record exports of recovered paper to Asia of over 7 million m.t.

Additional information is available on the Timber Committee and European Forestry Commission's website:

Complete tables of country forecasts at: www.unece.org/trade/timber/mis/forecasts.htm
Country market statements at:
http://www.unece.org/trade/timber/mis/market/market-65/market-65.htm
UNECE/FAO *Forest Products Annual Market Review, 2006-2007* at:
http://www.unece.org/trade/timber/docs/fpama/2007/fpamr2007.htm

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